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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BLE2074 – LABOUR ECONOMICS
(All sections / Groups)

12 OCTOBER 2019
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE (3)** printed pages with **FIVE (5)** structured questions excluding cover page.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

ANSWER ALL FIVE (5) QUESTIONS (100 MARKS)**Question 1**

(a) Nonwage income and nonwage aspects of the job are determinants of labour supply. Distinguish the two determinants by giving an example each. (6 marks)

(b) Illustrate graphically the individual firm in a perfectly competitive labour market and explain the hiring decision using the diagram. (5 marks)

(c) 'Although labour is a scarce resource, labour is efficiently allocated in both perfectly competitive and monopsony labour market'. Do you agree? Discuss. (5 marks)

Figure 1

Units of Labour	Wage (RM)	Marginal Revenue Product (MRP)	Value Marginal Product (VMP)
1	6	7	7
2	7	6	6
3	8	5	5
4	9	4	4
5	10	3	3

(d) Refer to **Figure 1**. Explain the degree of competition in the labour market and product market. (4 marks)
(Total: 20 marks)

Continued...

Question 2

Read the following passage:

“Help the disabled find employment”

Perak Health, Consumer Affairs, Civil Community, National Integration and Human Resources Committee Chairman A. Sivanesan said there should be anti-discrimination laws to ensure that capable disabled persons are offered jobs in the public and private sector. Sivanesan said the disabled community not receiving enough recognition and the Federal Government needs to ensure that they are also looked after. ‘There needs to be a law to ensure the disabled community is allocated a certain percentage of jobs in both the public and private sector.’

Society of the Blind Malaysia president Mohammed Nazari Othman said he agrees with Sivanesan that disabled persons should not be discriminated against. ‘However, additional laws may not be necessary as the Persons with Disabilities Act already exist, though it is not properly enforced. Mohammad Nazri said there is a policy that says that 1% of the disabled community should be employed. ‘However, we are still unable to reach the 1%. It is now somewhere between 0.7% and 0.8%.’ he said.

Source: Ivan Loh (July 10, 2018). The Star Online.

Answer the following questions.

- (a) Based on the passage above, interpret how this can be related to the Becker's Taste for discrimination model and when will the employer who discriminate the disabled workers, hire the disabled workers. (6 marks)
- (b) Use the Becker's Taste for discrimination model to sketch the labour market diagram for disabled workers. (4 marks)
- (c) Show how the Taste for discrimination model can be reduced. (4 marks)
- (d) Besides employment discrimination, less than 1% of the disabled workers employed are because of job segregation. Illustrate why employers practice job segregation on disabled workers. (6 marks)

(Total: 20 marks)

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Question 3

(a) Choose **TWO (2)** factors with an example of each that cause wage differential among heterogeneous workers. (6 marks)

(b) Apply the efficiency wages theory on the issue of wages payment above market-clearing levels. (4 marks)

(c) Use the hedonic wage model to show graphically that male-female wage differential may occur if females have greater tastes for having jobs with more fringe benefits than do males. (10 marks)

(Total: 20 marks)

Question 4

(a) Indicate **THREE (3)** types of people that are considered officially unemployed. (6 marks)

(b) Give **ONE (1)** government policy that is used to reduce frictional unemployment. (2 marks)

(c) Discuss the concept of demand-deficient unemployment. Give any **THREE (3)** factors that explain why wages adjust slowly in the presence of demand-deficient unemployment. (12 marks)

(Total: 20 marks)

Question 5

(a) Illustrate graphically the wage rate and employment level of unionised labour market using monopoly union model. Is the outcome efficient for the union members? (10 marks)

(b) 'Economists have often viewed strikes as accidents or errors in the negotiating processes'. Discuss. (5 marks)

(c) Indicate the conditions under which a strike may be more likely. (5 marks)

(Total: 20 marks)

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